

COPY

DELTA LANDS RECLAMATION
DISTRICT NO. 770

BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2008

DATE RECEIVED:



AUDIT REVIEW #(s) 04939

Assigned To: Moun+

Date Reviewed: 7/22/09

Reviewer's Initials: du

Date Review(s) Completed: 8/10/09

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CALIFORNIA EMERGENCY MANAGEMENT AGENCY
LOCAL ASSISTANCE MONITORING BRANCH
 3650 SCHRIEVER AVENUE
 MATHER, CALIFORNIA 95655
 PHONE: (916) 845-8120 FAX: (916) 845-8380

July 9, 2009



Audit # 04939

Ms. Deborah Bello
 Treasurer
 Reclamation District # 770, Delta Lands
 P.O. Box 877
 Corcoran, CA 93212

SUBJECT: SINGLE AUDIT REPORT FOR THE PERIOD ENDED JUNE 30, 2008
 FIPS #031-91013

Dear Ms. Bello:

Since the California Emergency Management Agency (CalEMA) (formerly the Governor's Office of Emergency Services (OES)) is subject to the requirements of Office of Management and Budget Circular A-133, Audits of States, Local Governments and Nonprofit Organizations, the CalEMA is required to monitor its subrecipients of federal awards to determine whether they have met the audit requirements of the Circular. The Circular specifically requires non-federal entities that expend \$500,000 or more in a year in federal awards to have either an annual single or program-specific audit, and that the audit report be submitted within nine months after the end of the audit period.

To date, an audit report for your organization for the year ended June 30, 2008 has not been received by the CalEMA. Accordingly, the CalEMA is requesting that you check one of the following options listed below, and return a signed copy of this letter to the above address within 30 days of its date, along with all appropriate documentation regarding your organization's compliance with the audit requirement. If findings were noted in your audit report, please include a summary of your management responses and corrective actions taken. In addition, please submit a copy of any separate letter to management mentioned in the audit report.

<input checked="" type="checkbox"/>	We have completed our A-133 audit for fiscal year(s) ended <u>June 30, 2008</u> . A copy of the audit report(s) is enclosed.
<input type="checkbox"/>	We expect our A-133 audit for fiscal year(s) ended _____ will be completed by _____. A copy of our audit report along with our management responses and corrective actions taken related to any findings will be forwarded to the CalEMA within 30 days of receipt of the report.
<input type="checkbox"/>	We are not subject to A-133 audit because: _____ We are a for-profit organization _____ We expend less than \$500,000 in federal awards annually _____ We are a component entity of the following organization and included in its A-133 audit: _____ _____ Other (please explain) _____ _____

Ms. Deborah Bello
July 9, 2009
Page 2

This is to certify that, to the best of our knowledge and belief, the data furnished above is accurate, complete and current.

Deborah Bello
Type or Print Name
7-13-09
Date

Treasurer
Title
Deborah Z Bello
Signature

If you have any questions regarding this issue, please contact our office at (916) 845-8120.

Sincerely,

Catherine Lewis

CATHERINE LEWIS
INTERIM BRANCH CHIEF

DELTA LANDS RECLAMATION DISTRICT NO. 770

JUNE 30, 2008

BOARD OF TRUSTEES

Geroge Wurzel	President
Walter Bricker	Trustee
Thomas R Hurlbutt	Trustee

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DELTA LANDS RECLAMATION DISTRICT NO. 770

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2008

This section of Delta Lands Reclamation District No. 770's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2008. Please read it in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- The District's total net assets were \$1,054,736 at June 30, 2008, which was a \$28,187 decrease from the previous year.
- During the year ended June 30, 2008, the District had revenues of \$55,044 and expenditures of \$83,231. The expenditures were \$28,187 greater than revenues.
- The District issued no new debt during the year ended June 30, 2008.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements presented in this annual report include the activities of Delta Lands Reclamation District No. 770 using the reporting model as prescribed by Governmental Accounting Standards Board Statement Number 34 (GASB 34). The report consists of three parts – management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The management's discussion and analysis is a new section to the audit report. It is a narrative developed by the District's management staff to explicitly explain the income and expenditures of the past fiscal year. As in the past, the auditors prepare the basic financial statements and supplementary information. These also include notes that further explain some of the information presented in the financial statements and provide more detailed data.

Basic Financial Statements

The basic financial statements include two kinds of statements, the government-wide financial statements and the fund financial statements. Each presents a different view of the District. The government-wide financial statements provide both short-term and long-term information about the District's overall financial status, whereas the fund financial statements present the financial picture by its individual parts or funds. Both are described in greater detail below.

See report of independent auditors.

DELTA LANDS RECLAMATION DISTRICT NO. 770

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2008

Government-Wide Statements

The government-wide financial statements present the financial picture of the District as measured by its total economic resources using the accrual basis of accounting. This is similar to that used by private-sector companies. These statements provide both short-term and long-term information about the District's financial status as a whole. The statement of net assets and statement of activity include all assets of the District (including infrastructure) as well as all liabilities (including long-term debt). All of the current year's revenues and expenses are accounted for in the statement of activity regardless of when cash is received or paid.

The government-wide financial statements report the District's net assets and how they have changed. Net assets, the difference between the District's assets and liabilities, are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating. To further assess the overall health of the District, one needs to consider additional non-financial factors such as changes in the District's user base, the ability to adjust rates and the availability of funding by grants.

The government-wide financial statements in this annual report include only governmental type activities. In governmental type activities, most of the District's revenue is derived from assessments.

Fund Financial Statements

The fund financial statements present the financial picture of the District in more detail than the government-wide statements by describing the individual parts or funds. Funds are accounting devices used to keep track of specific sources of funding and spending on particular programs. Some funds are required by State law and by bond covenants. The District may establish other funds to control and manage money for particular purposes at its discretion, such as tracking certain revenues and expenses for grants or construction projects.

The District currently has only one fund type known as a governmental fund. Governmental fund type statements are presented on the modified accrual basis of accounting and a current financial resources focus. Only assets expected to be used up and liabilities that come due during the year or soon thereafter are reflected. ~~No capital assets are included. Only revenues for which cash is received~~ during or soon after the end of the year are included. Only expenditures for goods or services that have been received and for which payment is due during the year or soon thereafter are included.

A reconciliation of the fund financial statements to the government-wide financial statements is provided to explain the differences created by the GASB 34 reporting model.

See report of independent auditors.

DELTA LANDS RECLAMATION DISTRICT NO. 770

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2008

CONDENSED COMPARATIVE FINANCIAL STATEMENT INFORMATION

Condensed government-wide financial information as compared to the previous year is as follows:

Statement of Net Assets

	<u>2008</u>	<u>2007</u>	<u>Increase (Decrease)</u>	<u>Percentage of Change</u>
Assets:				
Current and other assets	\$ 173,659	\$ 225,754	\$ (52,095)	-23.08%
Capital assets	<u>885,420</u>	<u>885,420</u>	<u>-</u>	
Total assets	<u>\$1,059,079</u>	<u>\$1,111,174</u>	<u>\$ (52,095)</u>	-4.69%
Liabilities:				
Current and other liabilities	<u>\$ 4,343</u>	<u>\$ 28,251</u>	<u>\$ (23,908)</u>	-84.63%
Net Assets:				
Invested in capital assets, net of related debt	885,420	885,420	-	0.00%
Unrestricted	<u>169,316</u>	<u>197,503</u>	<u>(28,187)</u>	-14.27%
Total net assets	<u>1,054,736</u>	<u>1,082,923</u>	<u>(28,187)</u>	-2.60%
Total liabilities and net assets	<u>\$1,059,079</u>	<u>\$1,111,174</u>	<u>\$ (52,095)</u>	-4.69%

Explanation of changes in selected line items:

- Assets decreased in 2008 compared to 2007 primarily due to the fact that accounts receivable decreased greatly from 2007 to 2008.
- Liabilities decreased in 2008 compared to 2007 because of fewer accruals at the end of the fiscal year.

See report of independent auditors.

DELTA LANDS RECLAMATION DISTRICT NO. 770

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2008

Statement of Activity and Changes in Net Assets

	2008	2007	Increase (Decrease)	Percentage of Change
Revenues:				
Property assessments	\$ 55,000	\$ 700,000	\$ (645,000)	-92.14%
Total operating revenues	55,000	700,000	(645,000)	-92.14%
Nonoperating Revenues:				
Interest income	44	97	(53)	-54.89%
Total nonoperating revenues	44	97	(53)	-54.89%
Total revenues	55,044	700,097	(645,053)	-92.14%
Expenditures:				
General government	5,257	4,450	807	18.14%
Maintenance and operations	56,065	80,591	(24,526)	-30.43%
Other	21,909	34,661	(12,752)	-36.79%
2006 Flood		576,409	(576,409)	100.00%
Total expenditures	83,231	696,111	(612,880)	-88.04%
Increase (decrease) in net assets	(28,187)	3,986	(32,173)	-807.15%
Total net assets, beginning of year	1,082,923	969,042	113,881	11.75%
Prior period adjustment		109,895	(109,895)	100.00%
Total net assets, end of year	<u>\$1,054,736</u>	<u>\$1,082,923</u>	<u>\$ (28,187)</u>	-2.60%

Explanation of changes in selected line items:

- Property assessments decreased in 2008 compared to 2007 because the amount levied per acre was less in 2008.
- Maintenance and operations expenditures decreased because there were fewer expenses for levee and canal maintenance.
- Other expenditures decreased because there was no expense for FKC/Kaweah River Sanitary Survey.

See report of independent auditors.

DELTA LANDS RECLAMATION DISTRICT NO. 770

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2008

BUDGETARY HIGHLIGHTS

The District prepares an annual budget and the budget is approved at the Board of Trustees meeting. The budget was approved on August 21, 2007. There were no revisions to the budget. Total budgeted revenues were \$85,000, and total budgeted expense were \$2,800. Significant variances were as follows:

	Budgeted	Actual	Variance	
Pump station maintenance	\$ 5,000	\$ 3,742	\$ 1,258	Favorable
USBR operations	5,000	6,144	(1,144)	Unfavorable
FKC - Flood Water Pump-In Bio	5,000	8,272	(3,272)	Unfavorable
Sanitary survey studies	3,000		3,000	Favorable
FKC - Flood Water Pump-In NEPA	5,000		5,000	Favorable
Repairs and maintenance, levee	30,000	5,706	24,294	Favorable
Repairs and maintenance, canal	5,000		5,000	Favorable
Repairs and maintenance, pumps	3,000	558	2,442	Favorable
Lake Kaweah enlargement	(118,000)		(118,000)	Unfavorable

CAPITAL ASSET AND DEBT ADMINISTRATION

At June 30, 2008, the District had invested \$977,603 in a broad range of capital assets, including equipment, ditches and levees. There was no change from last year. Details to capital assets are as follows:

Capital Assets

	2008	2007	Increase (Decrease)
Structures and improvements	\$ 91,452	\$ 91,452	\$ -
Portable pumps	731	731	-
Basin levee	869,765	869,765	-
Levee enlargement	15,655	15,655	-
Total capital assets	977,603	977,603	-
Accumulated depreciation	(92,183)	(92,183)	-
Net capital assets	\$ 885,420	\$ 885,420	\$ -

See report of independent auditors.

DELTA LANDS RECLAMATION DISTRICT NO. 770

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2008

ECONOMIC FACTORS RELATIVE TO FUTURE PERIODS

Success Reservoir requires an additional dam immediately downstream from the existing dam due to seismic stability problems. Construction of the new dam will not be completed until 2010 - 2011. In the mean time, the current reservoir will be restricted to 30,000 acre feet of storage until the seismic problem is remediated.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's business office at (559) 992-5011.

See report of independent auditors.



REPORT OF INDEPENDENT AUDITORS

LARRY W. AYERS, C.P.A.

MARLA D. BORGES, C.P.A.

KEVIN M. GREEN, C.P.A.

WM. KENT JENSEN, C.P.A.

KATHLEEN M. LAMPE, C.P.A.

LYNN M. LAMPE, C.P.A.

ALAN S. MOORE, C.P.A.

KENNETH B. NUNES, C.P.A.

GIUSEPPE SCALIA, C.P.A.

KENNETH W. WHITE, JR., C.P.A.

REBECCA AGREDANO, C.P.A.

LYNDA S. ANDERSON, C.P.A.

NICOLE A. CENTOFANTI, C.P.A.

CRYSTAL COTA, C.P.A.

ELAINE D. REULE, C.P.A.

NATALIE H. SIEGEL, C.P.A.

ROBERT L. BANDY, C.P.A.
Consultant

JAMES G. DWYER, C.P.A.
Consultant

DONALD G. GORDON
Consultant

FOREST A. MCQUEEN, C.P.A.
Consultant

CHARLES L. SOUTHARD, C.P.A.
Consultant

JOSEPH L. GRAY, C.P.A.
Independent Consultant

Board of Trustees

Delta Lands Reclamation District No. 770

We have audited the accompanying financial statements of the governmental activity of Delta Lands Reclamation District No. 770, as of and for the year ended June 30, 2008, which comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Delta Land Reclamation District No. 770's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the State Controller's Minimum Audit Requirement for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activity of Delta Lands Reclamation District No. 770, as of June 30, 2008, and the changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

The management's discussion and analysis and schedule of revenues, expenditures, and changes in fund balance - budget and actual for general fund on pages 1 through 6 and 17 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Dinuba
Hanford
Tulare
Visalia

M. Green and Company LLP

October 20, 2008
Hanford, California

DELTA LANDS RECLAMATION DISTRICT NO. 770

GOVERNMENTAL FUND BALANCE SHEET AND STATEMENT OF NET ASSETS JUNE 30, 2008

	General Fund	Adjustments	Statement of Net Assets
<u>ASSETS:</u>			
Cash and cash investments	\$ 48,764		\$ 48,764
Receivables	109,895		109,895
Prepaid - US Bureau of Reclamation	15,000		15,000
Capital assets, net of accumulated depreciation		\$ 885,420	885,420
Total assets	<u>\$ 173,659</u>	<u>\$ 885,420</u>	<u>\$ 1,059,079</u>
<u>LIABILITIES:</u>			
Accounts payable	\$ 4,343		\$ 4,343
Total liabilities	<u>4,343</u>		<u>4,343</u>
<u>FUND BALANCE/NET ASSETS:</u>			
Fund balance:			
Unreserved	169,316	\$ (169,316)	-
Net assets:			
Invested in capital assets, net of related debt		885,420	885,420
Unrestricted		169,316	169,316
Total fund balance/net assets	<u>169,316</u>	<u>885,420</u>	<u>1,054,736</u>
Total liabilities and fund balance/net assets	<u>\$ 173,659</u>	<u>\$ 885,420</u>	<u>\$ 1,059,079</u>

See notes to basic financial statements.

DELTA LANDS RECLAMATION DISTRICT NO. 770

RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET TO THE STATEMENT OF NET ASSETS JUNE 30, 2008

Amounts reported for governmental activity in the statement of net assets are different because:

Total fund balance - governmental fund	\$ 169,316
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When capital assets (land, ditches, equipment) that are to be used in governmental activities are purchased or constructed, the cost of those assets are reported as expenditures in the governmental fund in the period of expenditure. However, the statement of net assets includes those capital assets among the assets of the District as a whole and records depreciation expense over their estimated lives.

Cost of capital assets at June 30, 2008	\$ 977,603
Accumulated depreciation at June 30, 2008	<u>(92,183)</u>

Net increase	<u>885,420</u>
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Total net assets - governmental activity	<u><u>\$ 1,054,736</u></u>
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See notes to basic financial statements.

DELTA LANDS RECLAMATION DISTRICT NO. 770

STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE AND STATEMENT OF ACTIVITY YEAR ENDED JUNE 30, 2007

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activity</u>
<u>REVENUES:</u>			
Assessments	\$ 55,000		\$ 55,000
Interest	44		44
	<u>55,044</u>		<u>55,044</u>
Total revenues	55,044		55,044
<u>EXPENDITURES:</u>			
Repairs and maintenance, pump station	4,300		4,300
Repairs and maintenance, canal/levees	16,436		16,436
Utilities	35,329		35,329
Office expense	826		826
Friant - Kern pump-in water	6,004		6,004
US Bureau of Reclamation fees	500		500
US Bureau of Reclamation fees operations	6,144		6,144
FKC - Flood Water Pump-In Bio Assessment	8,272		8,272
SCE - Friant - Kern Tule River	989		989
Professional services, legal and audit fees	2,700		2,700
Insurance	1,731		1,731
	<u>83,231</u>		<u>83,231</u>
Total expenses	83,231		83,231
Excess: expenditure over revenue	\$ (28,187)		\$ (28,187)
<u>FUND BALANCE/NET ASSETS:</u>			
July 1, 2007	197,503	\$ 885,420	1,082,923
June 30, 2008	<u>\$ 169,316</u>	<u>\$ 885,420</u>	<u>\$ 1,054,736</u>

See notes to basic financial statements.

DELTA LANDS RECLAMATION DISTRICT NO. 770

RECONCILIATION OF THE STATEMENT OF GOVERNMENTAL
FUND REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE TO THE STATEMENT OF ACTIVITY
YEAR ENDED JUNE 30, 2008

Amounts reported for governmental activity in the statement of activity are different because:

No Adjustment from Governmental Fund Revenues, Expenditures, and Changes in Fund Balance to Statement of Activity	\$	-
Net change		<u>-</u>
Change in net assets - governmental activity	\$	<u><u>-</u></u>

See notes to basic financial statements.

DELTA LANDS RECLAMATION DISTRICT NO. 770

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 1 - Summary of Significant Accounting Policies

Organization

Delta Lands Reclamation District No. 770 encompasses farmable acres within the Tulare Lake area being used exclusively for agriculture. Other areas utilized for District facilities include levees and ditches. The District's overall responsibility is to provide protection from flood waters and for pumping water from farmable acreage when district lands are flooded. The landowners within the district boundaries are assessed by the District to provide the funds necessary to perform operation and maintenance on district levees and facilities, as well as providing flood protection to the lands in the District.

Reporting Entity

The District's basic financial statements include the accounts of all its operations. The District evaluated whether any other entity should be included in these financial statements. The criteria for including organizations as component units within the District's reporting entity, as set forth in GASB Statement No. 14, "The Financial Reporting Entity," as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units," include whether:

- the organization is legally separate (can sue and be sued in its name)
- the District holds the corporate powers of the organization
- the District appoints a voting majority of the organization's board
- the District is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the District
- there is fiscal dependency by the organization on the District
- exclusion of the organization would render the financial statements incomplete or misleading

Based on these criteria, the District has no component units. Additionally, the District is not a component unit of any other reporting entity as defined by the GASB statements.

Fund Accounting

The accounts of the District are organized on the basis of fund accounting. Under fund accounting, different types of District operations are accounted for in different funds, each with a separate set of self balancing accounts that comprise its assets, liabilities, fund balance, revenues and expenditures as appropriate. Resources are allocated to and accounted for in individual funds, based upon the purpose for which they are to be spent and the means by which spending activities are controlled. Since the District does not have any financial resources that are required to be accounted for in other funds, it utilizes only a "General Fund" for its operations.

DELTA LANDS RECLAMATION DISTRICT NO. 770

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 1 - Summary of Significant Accounting Policies (continued)

Measurement Focus, Basis of Accounting

Governmental fund financial statements are reported using the current financial resources management focus and the modified accrual basis of accounting. Revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recognized when the related fund liability is incurred, except that principal and interest on general long-term debt is recognized when due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

These statements adhere to the provisions of GASB Statement Number 34. Under GASB Statement Number 34, government-wide financial statements of net assets and activities are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. General capital asset acquisitions are included with assets of the District as a whole and depreciated over their estimated useful lives.

This report has been prepared in conformance with accounting principles generally accepted in the United States of America. The District applies all Governmental Accounting Standards Board pronouncements as well as the Financial Accounting Standards Board pronouncements, issued after November 30, 1989, unless those pronouncements conflict with or contradict Governmental Accounting Standards Board pronouncements.

Budgetary Procedures

The District operates under a budget prepared and approved annually by the Board of Trustees. The budget is prepared on a detailed line item basis. Revenues are budgeted by source and expenditures are budgeted by use (services and supplies, other charges, fixed asset acquisitions and contingencies). Once approved, the Board of Trustees may amend the adopted budget when unexpected modifications are required in estimated revenues and expenditures.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Accordingly, actual results could differ from those estimates.

DELTA LANDS RECLAMATION DISTRICT NO. 770

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 1 - Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets of the District are recorded at cost and are depreciated using the straight-line method over the following estimated useful lives:

Levees, canal, and rights of way	Non-depreciable
Equipment, vehicles, furniture and fixtures	4 - 20 years

Net Assets

Net assets comprise the various net earnings from operating income, nonoperating revenues and expenses, and capital contributions. Net assets are classified in the following three components:

Invested in capital assets, net of related debt - This component of net assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any borrowings that are attributable to the acquisition, construction or improvement of those assets.

Restricted net assets - This component of net assets consists of constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets - This component of net assets consists of net assets that do not meet the definition of "restricted net assets" or "invested in capital assets, net of related debt".

Nature and Purpose of Restricted Net Assets

Restricted net assets are amounts which are legally segregated for specific usage or commitments to outside third parties. When the District incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the policy of the District to use restricted resources first, then unrestricted resources. At June 30, 2008, the District had no restricted net assets.

Income Taxes

The District is a governmental agency and is not subject to income taxes.

DELTA LANDS RECLAMATION DISTRICT NO. 770

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 2 - Cash and Cash Investments

Statutes authorize districts to invest cash in obligations of the U. S. Treasury and U. S. agencies, certificates of deposit, banker's acceptances, repurchase agreements, insured money market accounts, commercial paper, county investment pools and the State Treasurer's Local Agency Investment Fund.

Cash and cash investments at June 30, 2008, were as follows:

Cash in bank	\$ 48,727
Cash in Kings County Treasury	37
Totals	<u>\$ 48,764</u>

At June 30, 2008, the entire amount of cash in bank was covered by federal depository insurance. The District's cash investment in Kings County Treasury Pool is not subject to credit risk categorization and is carried at cost which approximates fair value. All pooled funds are regulated by the California Government Code.

NOTE 3 - Capital Assets

The following is a summary of changes in capital assets:

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
<u>Capital assets not being depreciated:</u>				
Basin levee	\$ 869,765			\$ 869,765
Levee enlargement	15,655			15,655
Total capital assets not being depreciated	<u>885,420</u>			<u>885,420</u>
<u>Other capital assets:</u>				
Improvements	91,452			91,452
Equipment	731			731
Total other capital assets at historical cost	<u>92,183</u>			<u>92,183</u>
Accumulated depreciation	<u>(92,183)</u>			<u>(92,183)</u>
Other capital assets, net	<u>-</u>			<u>-</u>
Capital assets, net	<u>\$ 885,420</u>			<u>\$ 885,420</u>

DELTA LANDS RECLAMATION DISTRICT NO. 770

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 4 - Accounts Receivable

At June 30, 2008, the accounts receivable from the Lake Kaweah Enlargement project had a balance due of \$109,895. The receivable was a result of a state reimbursement for the expenditures of the Lake Kaweah Enlargement project.

NOTE 5 - Assessments

General Fund Assessment No. 29 was levied in the amount of \$85,000, and General Fund Assessment No. 29, Call #1 was levied in the amount of \$30,000. Call #2 was levied in the amount of \$15,000, Call # 3 was levied in the amount of \$10,000. Assessments are called as needed. In the fiscal year 2006-2007 an advance for \$30,000 on Assessment No. 29 was requested; \$30,000 was collected in 2006-2007 fiscal year, and \$55,000 was collected in 2007-2008 fiscal year. In the fiscal year 2007-2008, \$55,000 was called and collected.

NOTE 6 - Related Party Transactions

Some board members are employed by the J. G. Boswell Company, which also performs contract work for the District. Amounts paid to J. G. Boswell Company in fiscal year 2007-2008 totaled \$1,027,072.

NOTE 7 - Economic Dependency

One hundred percent of the District's assessment revenue was received from the following shareholder:

J. G. Boswell Company	<u>\$ 55,000</u>
Total	<u><u>\$ 55,000</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

DELTA LANDS RECLAMATION DISTRICT NO. 770

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL FOR GENERAL FUND JUNE 30, 2008

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<u>REVENUES:</u>				
Assessments	\$ 85,000	\$ 85,000	\$ 55,000	\$ (30,000)
Interest			44	44
Total revenues	85,000	85,000	55,044	(29,956)
<u>EXPENDITURES:</u>				
Insurance	2,000	2,000	1,731	269
Office	100	100		100
Publication and legal	100	100	126	(26)
Utilities	35,000	35,000	35,329	(329)
Repairs and maintenance, levee	30,000	30,000	5,706	24,294
Levee weed control	6,000	6,000	5,916	84
Repairs and maintenance, canals	5,000	5,000		5,000
Canal weed control	5,000	5,000	4,814	186
Repairs and maintenance, pumps	3,000	3,000	558	2,442
Engineering	1,000	1,000		1,000
Professional services	3,000	3,000	2,700	300
Pump station maintenance	5,000	5,000	3,742	1,258
U. S. Bureau of Reclamations fees	1,000	1,000	500	500
U. S. Bureau of Reclamations operations	5,000	5,000	6,144	(1,144)
Friant - Kern Canal Flood Water Pump-in	5,000	5,000	6,004	(1,004)
Friant - Kern Canal Flood Water Pump-in Bio	5,000	5,000	8,272	(3,272)
Friant - Kern Canal Flood Water Pump-in NEPA	5,000	5,000		5,000
Sanitary survey studies	3,000	3,000		3,000
SCE - FKC Tule River Power Station	900	900	989	(89)
Office administration fee	700	700	700	-
Total expenditures	120,800	120,800	83,232	37,568
Excess revenues (expenditures)	\$ (35,800)	\$ (35,800)	\$ (28,188)	\$ 7,612

ADDITIONAL BUDGET ITEMS:

Lake Kaweah enlargement project reimbursement - State of California	\$ (118,000)	\$ (118,000)		\$ (118,000)
See notes to basic financial statements.				